

## Weekly Report – September 17, 2013

### Congressional Budget Office 2013 Long-Term Budget Outlook

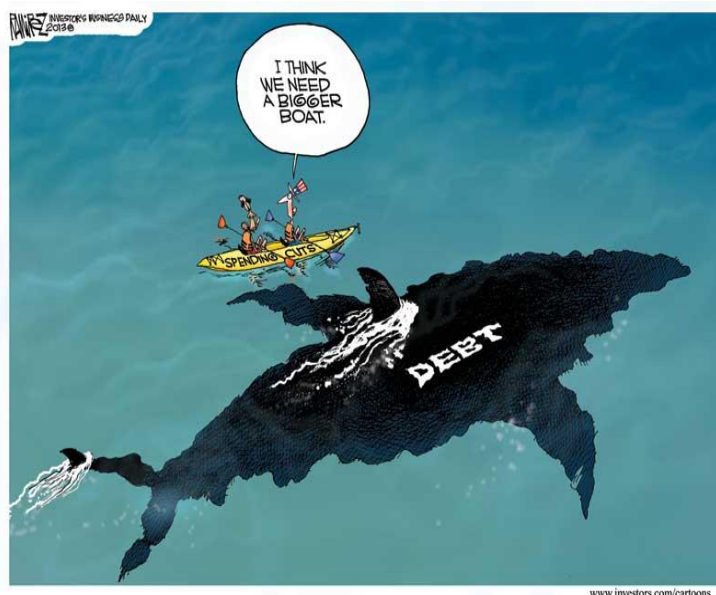
- This week, CBO released its annual “Long-Term Budget Outlook,” which provides spending and economic projections over a horizon beyond the standard 10 year baseline window.
- Under current law, while CBO projects annual deficits will decline for several years until 2018, deficits will begin to rise again, largely due to increases in spending associated with Social Security, health care programs, and interest on outstanding debt.
- At no time over the long-term horizon will the budget balance. Federal debt will continue to rise in nominal terms and as a percentage of the economy in each year.

### Continuing Resolution

- Continues current FY2013 funding at \$986.3 billion; this is the post-sequester BCA level for FY2013.
- Under the BCA, another round of sequester is set for January 2014 to take spending to an annualized \$967 billion for FY2014.
- Fully delays the Affordable Care Act.
- Includes the House-passed Full Faith and Credit Act (H.R. 807), which takes sovereign default off the table in the event the debt ceiling is breached.

### Debt Limit

- Treasury Secretary Lew said in a letter to Congress that the government will have exhausted all borrowing authority by mid-October.
- The Bipartisan Policy Center estimates that the “X” date, when the Treasury will have exhausted its extraordinary measures and will not have sufficient tax receipts to continue making full payments will be between October 18th and November 5<sup>th</sup>.
- The Obama Administration has stated it will not negotiate over the debt limit. The House is opposed to a “clean” debt limit increase. The debate may include a discussion of sequester cuts and entitlement reform.



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## **The Power of 218 – *If House Republicans can't hold together, they have no leverage at all.***

Perhaps the only war strategizing more inept than President Obama's on Syria are GOP plans for the budget hostilities this autumn. Republicans are fracturing over tactics, and even over the nature of political reality, which may let Mr. Obama outwit them like a domestic [Vladimir Putin](#). In our view the GOP would be less confused if more House Members appreciated the power of 218. That's the number of votes that makes a majority and it is the only true "leverage" Republicans have while Democrats hold the Senate and a Presidential veto.

The latest GOP internal dispute is over a continuing resolution to fund the government at sequester-spending levels. The current CR runs out at the end of the month, and about 40 to 50 House Republicans (out of 233) want to attach a rider that either delays or defunds the Affordable Care Act for a year and leaves everything else running. Speaker [John Boehner](#) floated a CR with an arcane procedure that would force the Senate to take an up-or-down vote on the anti-ObamaCare component. But pressure groups like Heritage Action and the Club for Growth rebelled and the vote had to be postponed, like so many other unforced retreats this Congress. Here we go again.

These critics portrayed the Boehner plan as a sellout because of a campaign that captured the imagination of some conservatives this summer: Republicans must threaten to crash their Zeros into the aircraft carrier of ObamaCare. Their demand is that the House pair the "must pass" CR or the debt limit with defunding the health-care bill. Kamikaze missions rarely turn out well, least of all for the pilots.

The problem is that Mr. Obama is never, ever going to unwind his signature legacy project of national health care. Ideology aside, it would end his Presidency politically. And if Republicans insist that any spending bill must defund ObamaCare, then a showdown is inevitable that shuts down much of the government. Republicans will claim that Democrats are the ones shutting it down to preserve ObamaCare. Voters may see it differently given the media's liberal sympathies and because the repeal-or-bust crowd provoked the confrontation.

With his own popularity fading, Mr. Obama may want a shutdown so he can change the subject to his caricature of GOP zealots who want no government. He'll blame any turmoil or economic fallout on House Republicans, figuring that he can split the tea party from the GOP and that this is the one event that could reinstall Nancy Pelosi as Speaker. Mr. Obama could spend his final two years going out in a blaze of liberal glory.

The defunders sketch out an alternative scenario in which Mr. Obama is blamed, and they say we can't know unless Republicans try. But even they admit privately that they really won't succeed in defunding ObamaCare. The best case seems to be that if all Republicans show resolve they'll win over the public in a shutdown, and Democrats will eventually surrender, well, something.

If this works it would be the first time. The evidence going back to the Newt Gingrich Congress is that no party can govern from the House, and the Republican Party can't abide the outcry when flights are delayed, national parks close and direct deposits for military spouses stop. Sooner or later the GOP breaks. This all-or-nothing posture also usually results in worse policy. The most recent example was the failure of Mr. Boehner's fiscal cliff "Plan B" in December 2012, which was the best the GOP could do because Mr. Obama had the whip hand of automatic tax increases. The fallback deal that was sealed in the Senate raised taxes by more and is now complicating the prospects for tax reform.

The backbenchers are heading into another box canyon now. Mr. Boehner is undermined because the other side knows he lacks 218 GOP votes, which empowers House and Senate Democrats. They want to reverse the modest spending discipline of the sequester, and if the House GOP can't hold together on the CR they will succeed. The only chance of any entitlement reform worth the name is if Mr. Boehner can hold his majority and negotiate from strength.

We've often supported backbenchers who want to push GOP leaders in a better policy direction, most recently on the farm bill. But it's something else entirely to sabotage any plan with a chance of succeeding and pretend to have "leverage" that exists only in the world of townhall applause lines and fundraising letters. The best option now is for the GOP to unite behind a budget strategy that can hold 218 votes, keeping the sequester pressure of discretionary spending cuts on Democrats to come to the table on entitlements. The sequester is a rare policy victory the GOP has extracted from Mr. Obama, and it is squeezing liberal constituencies that depend on federal cash.

The backbenchers might even look at the polls showing that the public is now tilting toward Republicans on issues including the economy, ensuring a strong national defense and even health care. Some Republicans think they are sure to hold the House in 2014 no matter what happens because of gerrymandering, but even those levees won't hold if there's a wave of revulsion against the GOP. Marginal seats still matter for controlling Congress. The kamikazes could end up ensuring the return of all-Democratic rule.